



**RECOMMENDED PRACTICE GUIDANCE(RPG) UNDER IPSAS ACCRUAL,  
HILTON HOTEL, NAIROBI**

**Presentation by;**

**CPA PFA Solomon Ngahu  
Head Of Financial Reporting Unit  
The National Treasury**

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# OUTLINE OF THE PRESENTATION



1. Background information.
2. Common Definitions
3. Rationale of RPGs in IPSAS Reporting
4. Components of LTFS & Dimensions
5. Principles and Methodologies
6. Disclosures of LTFS
7. RPG-2: Financial Statement Discussions & Analysis
8. RPG-3 :Reporting Service Performance

# Background of RPGs



- ❖ Recommended practice guidelines (RPGs) was first issued in July 2013 by IPSASB as non-mandatory best practice. RPGs are a new type of publication that provides guidance on the broader aspects of financial reporting that are outside the financial statements. They are not IPSAS and are not mandatory.
- ❖ Currently there are three RPGs namely;
  - ✓ RPG1-Reporting on the Long-Term Fiscal Sustainability of an Entity's Finances (LTFS).
  - ✓ RPG2-Financial Statement Discussions and Analysis
  - ✓ RPG3-Reporting Service Performance

# RPG-1

## LONG-TERM SUSTAINABILITY FINANCES.



- ❖ In July 2013, the IPSASB issued its first Recommended Practice Guideline (RPG 1): Reporting on the Long-Term Sustainability of an Entity's Finances. An entity that aims to be in-compliance with IPSAS is not required to apply the RPG, but is highly recommended to adopt the guidelines.
- ❖ On the issuance of RPG 1, it is worth noting that RPGs provides straightforward guidance on presenting information about the capacity of an entity to provide social benefits at existing levels, to maintain existing taxation revenues, and to meet its financial commitments.
- ❖ By developing guidance on reporting information about the long-term sustainability of an entity's finances, RPG 1 reflects the IPSASB Conceptual Framework's position that, in order to meet users' needs, the scope of financial reporting is more comprehensive than the financial statements.

# Background of RPG1-Cont`



- ❖ Users of General-Purpose Financial Reporting reflects the view that, although the financial statements are at the core of financial reporting, a more comprehensive scope is necessary to meet the needs of users.
- ❖ Projected outflows relating to obligations as a result of past decisions and projected inflows related to sovereign powers and taxation powers may not be recognized or may only be partially recognized in the statement of financial position and the statement of financial performance.
- ❖ In order to meet the financial reporting objectives of accountability and decision making, an entity should provide users with information on future inflows and outflows that supplements information on the entity's financial position in the financial statements.

# Common Definations



- ✓ **Long-term fiscal sustainability** : there is no universally accepted definition of long-term fiscal sustainability and included a working definition that long-term fiscal sustainability is ***“the ability of government to meet its service delivery and financial commitments both now and in the future.”*** The IPSASB acknowledged the view that this definition is insufficiently rigorous and that a definition should be adopted that provides users with a clearer indication whether an entity’s current economic position is sustainable. Such an approach might involve;(a) linking current service delivery obligations to the maintenance of current taxation levels and (b) focusing on projected debt paths.
- ✓ **Inflows** ; Inflows are cash and cash equivalents projected to accrue to the reporting entity over the time horizon of the projections.
- ✓ **Outflows:** Outflows are cash and cash equivalents related to expenditure projected to be incurred by the reporting entity over the time horizon of the projections.

# Rationale of IPSAS & RPG-1



The development and finalization of the RPG benefited greatly from the oversight of a task force with a wide membership, including representatives of

- ❖ standard setters with involvement in developing guidance for reporting on fiscal condition,
- ❖ governments that have many years' experience reporting on long-term fiscal sustainability, and
- ❖ supranational organizations such as the International Monetary Fund, the Organisation for Economic Co-operation and Development, and Eurostat, the statistical agency of the European Union.

# (RPG-1)Components of LTFS



Components of Long Term Fiscal Sustainability Information will Include the following;

- ✓ Projection of both future inflows and outflows through tabular statement
- ✓ There must be indicators used to portray dimensions
- ✓ Principles, assumptions and methodology underlying the projections

*It is worth noting that, projections in long term fiscal sustainability information generally reflects conditions of uncertainties. This is because projections are based on models supported by assumptions.*



# (RPG-1) DIMENSIONS OF LTFS



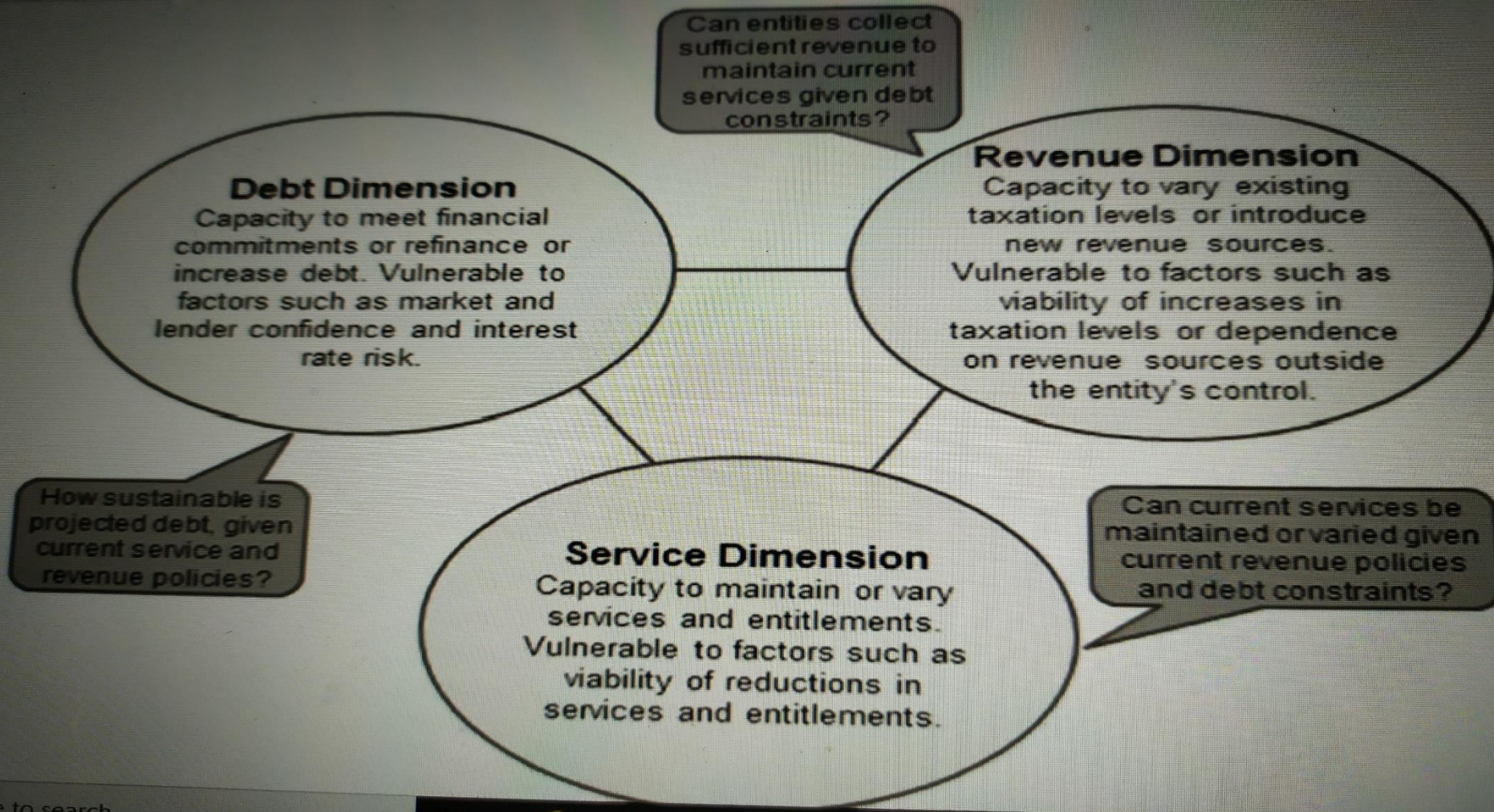
There are three dimensions of long-term fiscal sustainability, as follows:

- ❖ Fiscal capacity;
- ❖ Service capacity; and
- ❖ Debt

***NB: There are two aspects in each dimension ie;***

- a) Capacity – ability to of entiy to influence dimension and*
- b) Vulnerability – External factors influencing dimension*

# RELATIONSHIPS BETWEEN DIMENSIONS



# Principles & Methodologies



Principles and methodologies include the following;

- ✓ Updating projections and frequency of reporting
- ✓ Impact of Legal Requirements and Policy Frameworks
- ✓ Current Policy, Demographic and Economic Assumptions
- ✓ Inflation and Discount Rates
- ✓ Sensitivity Analysis

# Key Disclosures of LTFS



Disclosures under LTFS information helps users to assess the projected LTFS of an entity;

An entity should disclose the following information;

- ✓ The name of entity;
- ✓ The financial statements to which the LTFS information relates;
- ✓ Names of entity if they have changed in the course of reporting period ie FY;
- ✓ Where the entity is controlled entity, the identity of controlling entity;
- ✓ The date at which a full set of projection was made;
- ✓ The basis and timing of subsequent updating of that full set of projections;
- ✓ Projections and indicators of other public entities



# Other Disclosures of LTFS



- Other project disclosures under LTFS information includes;
- ✓ Sources of significant revenue inflows from taxation and other sources;
  - ✓ An overview of the currency policy assumptions for significant revenue inflows;
  - ✓ The sources of significant outflows including capital expenditures;
  - ✓ An overview of the currency policy assumptions for significant outflows including CAPEX;
  - ✓ Whether projections are modelled individually or in aggregate;
  - ✓ Explanations of changes in in projections between reporting date & reason for those changes

# **(RPG 2) -FSD&A**

## **BACKGROUND AND SCOPE**



- RPG 2- assists users to understand the financial position, financial performance, and cash flows presented in an entity's general purpose financial statements.
- FSD&A should be used at least annually and use the same reporting period as that of FS.
- FSD&A should be issued together with the FS.
- Where RPG2 is applicable, entities are encouraged to disclose its impacts of its compliance with RPG.

# NEED FOR RPG-2



The following are some of importance of FSD&A ;

- ✓ Explanation of the significant items, transactions and events presented in an entity`s FS;
- ✓ FSD&A assists the users to understand the financial position, financial performance and cash flow presented in statement of general purpose statements.
- ✓ Explanation of the significant items, transactions and events presented in an entity`s FS and factors influencing them and ;
- ✓ Assists users to know the reporting framework ie IPSAS or RPG format.

# COMPONENTS OF RPG2



The form and content of the information depends on the nature of the entity and its regulatory environment, financial statement discussion and analysis will generally include:

- ✓ An overview of the entity's operations and environment;
- ✓ Information about the entity's objectives and strategies;
- ✓ An analysis of the entity's financial statements; and
- ✓ Explanation of entity's principle risks and uncertainties related to the financial statements.



- The assists users understanding of an entity`s financial state;
- ❖ The entity`s mission and vision
  - ❖ The entity`s governance ( Legislative or regulation structure, & MGT` Structure)
  - ❖ The entity`s relationships with other entities, with the focus on relationships that may affect financial & performance and cash flow statement
  - ❖ External trends, events and developments in legal, regulatory, social, political and macro-economic environment
  - ❖ Entity`s main operations including service delivery methods suc(eg outsourcing, service concessions arrangements) and significant changes in them.

# RISKS & UNCERTAINTIES



- ❖ Principle risks and uncertainties should be disclosed as well as how they affect Financial position & Performance;
- ❖ Both Internal and External should cover exposures to both negative and potential opportunities;
- ❖ How entity is managing its risks and uncertainties, this helps users obtain representation of the entity's exposure to the risk;
- ❖ Discussions on the risk provides relevant information to users regarding risk exposure or vulnerability eg through sectoral loans or revenues

# RPG 3- REPORTING SERVICE PERFORMANCE INFORMATION



- ❖ It responds to the perceived need for a principles-based and consistent framework for service performance information that focuses on user needs.
- ❖ The guidance in RPG 3 aligns with the IPSASB's view that public sector financial reporting has a greater scope than financial statements alone.
- ❖ Therefore, it:
  - ✓ provides principles applicable to the presentation of service performance information and definitions that establish a standardized service performance information terminology;

# RPG-3 Introduction Cont`



- ✓ addresses the reporting entity and reporting period for service performance information;
- ✓ provides guidance on the choice of performance indicators that show an entity's achievements with respect to its service performance objectives, disclosures about the basis of the reported information, and service performance-related narrative discussion and analysis; and
- ✓ states that service performance information may be presented either in the same report as the financial statements or in a separate report, and identifies factors to consider when making that decision.

# Key Terms under RPG-3



Key Terms under RPG-3 is base on the following Indicators;

- ✓ **Effectiveness**
- ✓ **Efficiency**
- ✓ **Inputs**
- ✓ **Outputs**
- ✓ **Performance Indicators**
- ✓ **Service performance indicators**

# PRESENTATION OF SPI



-SPI should be presented at-least annually and cover same financial period as the FS.

Presentation of such information should be;

- ✓ Useful to users for accountability & decision making;
- ✓ Should assist users assess the entity financial position
- ✓ Information should allow comparability;
- ✓ Information should allow users to note achievements of the entity and ;
- ✓ Information should indicate qualitative characteristics of the entity.

# Performance Indicators



- Performance indicators should be relevant and be linked to one or more SP- objectives.
- The Performance indicators should allow users to assess how efficient and effectively the entity has used resources to deliver services and achieve its service performance objectives.
- Where public entity has provided indicators they should be compared with the previous actual indicators by applying requirements such as IPSAS 24
- Total cost is a key indicator of performance.
- ***NB: Decisions should be taken on information to be disclosed for users to understand and link to indicators***

# Other Disclosures



## Location of SPI;

- 1) Information may be presented as part of FS or
- 2) Separately, in this case it required to be issued on time

## Organization of SPI

Organization of SPI within GPFR should enable users to ;

- ✓ Understand the entity SP including achievements;
- ✓ Assess the entity`s service efficiency and effectiveness and ;
- ✓ Use SPI for accountability & decision making.



# Interactive Session



# QUOTABLE QUOTES



*“A body of men holding themselves accountable to nobody ought not to be trusted by anybody.”*

*Thomas Paine*

*“ I believe....we all pay taxes. I’m happy to pay it, but I hate to have it abused, money wasted, no accountability. That’s going to bother you”*

*Lou Holtz*